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Linda Ekstrom Stanley

**UNITED STATES BANKRUPTCY COURT  
NORTHERN DISTRICT OF CALIFORNIA**

In re	}	No.	01-30923 DM
PACIFIC GAS AND ELECTRIC		Chapter	11
COMPANY,		Date:	July 2, 2002
Debtor.		Time:	9:30 a.m.
		Ctrm:	Hon. Dennis Montali 235 Pine Street, 22 <sup>nd</sup> Floor San Francisco, California

**UNITED STATES TRUSTEE'S OBJECTION TO  
PROFESSIONAL FEE APPLICATIONS OF**

**THE BRATTLE GROUP, INC.  
COOLEY GODWARD LLP  
DELOITTE & TOUCHE, LLP  
ERNST & YOUNG CORPORATE FINANCE LLC  
HELLER, EHRMAN, WHITE & MCAULIFFE LLP  
HOWARD, RICE, NEMEROVSKI, CANADY, FALK & RABKIN  
MILBANK, TWEED, HADLEY & MCCLOY LLP  
PRICEWATERHOUSECOOPERS LLP  
SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP**

Linda Ekstrom Stanley, United States Trustee, submits this objection to the applications for compensation<sup>1/</sup> filed by professionals employed by debtor, Pacific Gas and Electric Company ("PG&E" or "debtor"). This objection is limited to the applications set forth

<sup>1/</sup> All applications will be referred to by the shortened version of the firm's name followed by "Application" (e.g., the "Howard Rice Application").

1 in the title above.

2 **Summary of Professional Administrative Costs Through March 31, 2002**

3 The United States Trustee has completed an analysis of the cost of professional  
4 services in this chapter 11 case. We attach the analysis to the Declaration of Patricia A.  
5 Martin in Support of the United States Trustee's Objection to Professional Fee Applications  
6 (the "Martin Declaration") as Exhibit "A." To summarize, the fees and expenses of  
7 professionals involved in the chapter 11 reorganization aspects of this case employed by  
8 debtor and the Official Committee of Unsecured Creditors total \$46,121,501 from the  
9 inception of the case through March 31, 2002, a grand total of 128,201.2 hours.

10 The United States Trustee summarized the fees in total and on a firm-specific basis:

11 **Exhibit "A"** – Summary of Professional Fees Incurred and as Noticed for Hearing for  
12 Period 4/6/01 through 3/31/02 & by Major Focus Area, as Defined by U.S. Trustee for  
Review Purposes.

13 **Exhibit "B"** – Summary of Professional Fees Incurred from 4/6/01 through 3/31/02  
14 Related to Impasse Between PG&E, the CPUC, Department of Water Resources,  
State of California, Cal ISO and Cal PX.

15 **Exhibit "C"** – Summary of Professional Fees Incurred from 4/6/01 to 3/31/02 related  
16 to PG&E's Disclosure Statement & Plan, Plan Implementation and Plan Prosecution.

17 **Exhibit "D"** – Summary of Professional Fees Incurred 4/6/01 to 3/31/02 related to  
Mediation and Opposing Plans of Reorganization

18 **Exhibit "E"** – Summary of Professional Fees Incurred from 4/6/01 through 3/31/02 –  
19 Qualifying Facilities, Power Producers and Suppliers

20 **Exhibit "F"** – Summary of Professional Fees Incurred from 4/6/01 through 3/31/02 –  
Other focus areas

21 **Exhibit "G"** – **Howard Rice Firm**  
22 Exhibit "G-1" Summary by Focus Area  
Exhibit "G-2" Howard Rice Firm – by Attorney

23 **Exhibit "H"** – **Heller Ehrman Firm**  
24 Exhibit "H-1" Summary by Focus Area  
25 Exhibit "H-2" Top billing categories – Current Period  
Exhibit "H-3" Heller Firm – by Attorney

26 **Exhibit "I"** – **Skadden Firm**  
27 Exhibit "I-1" Skadden Firm by Matter  
Exhibit "I-2" Skadden Firm by Attorney

28 **Exhibit "J"** – **Cooley Firm**  
Exhibit "J-1" Cooley Firm by Matter Focus Area  
Exhibit "J-2" Cooley Firm by Attorney

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**The Brattle Group, Inc.**

**The Brattle Group's Air Fare Expenses Appear to Exceed the Cost of Coach Class Travel**

The Brattle Group incurred a total of \$16,873 in air fares during the reporting period. Several of these flights (often cross-country) were billed at costs in excess of coach class.<sup>2</sup> The United States Trustee urges the court to disallow any costs in excess of coach class fares. *Guidelines for Compensation and Expense Reimbursement of Professionals and Trustees* #36. The United States Trustee requests a reduction in any expense award of \$5,202 (the difference between the actual cost of six trips in question, \$15,202, and the same trips at the estimated coach price \$1500/trip, or \$9000).

**Cooley Godward LLP**

\_\_\_\_\_ Cooley Godward billed approximately \$10,889 in fees to a category it describes as "Business Operations" for work on the CPUC's April 3, 2001 Order Instituting Investigation.<sup>3</sup> (The OII is discussed below in connection with the United States Trustee's objection to Heller Ehman's fees.) The United States Trustee objects to these charges for the same reasons identified in the discussion of Heller Ehrman's fees. The fees do not benefit the estate primarily and should be the burden of PG&E Corporation.

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<sup>2</sup> See Martin Declaration, Exhibit "Q," and flights dated 9/28/01 (SFO to Boston), 10/2/01 (Dulles to SFO), 10/3/01 (Washington, D.C. to SFO), 10/3/01 (SFO to Boston), 10/10/01 (SFO to unknown destination for traveler PFP), 10/10/01 (SFO to DC).

<sup>3</sup> Cooley Godward appears to rely on the following description of this work:

Applicant also provided various services and performed analyses of other currently pending litigation to which Debtor is a not a party but which may impact or effect Debtor's property or interests.

The time entries are identified in the Martin Declaration, Exhibit "R".

1 **Deloitte & Touche, LLP**

2 **Deloitte & Touche Billed the Estate for Time Incurred Prior to the Effective Date of its**  
3 **Nunc Pro Tunc Order of Employment Even Though Most of Those Services Pertain**  
4 **to Its Fixed Fee Audit Engagement**

5 \_\_\_\_\_ Debtor employed Deloitte & Touche at the beginning of the case for audit services in  
6 connection with debtor and its parent's financial results. The audit engagement is a "fixed  
7 fee" contract of \$855,000. Later, debtor employed Deloitte & Touche to help prepare stand-  
8 alone financial statements for ETrans, GTrans and Gen, its newly created subsidiaries. The  
9 second engagement is not a fixed fee. The court approved Deloitte & Touche's *nunc pro*  
10 *tunc* employment request for the work on the new subsidiaries on April 11, 2002, effective  
11 as of October 1, 2001.

12 Deloitte & Touche's current application seeks \$1,705,579 under the non-fixed fee  
13 contract. Included in that application is a request for payment of \$38,145 in fees incurred  
14 prior to the October 1, 2001 employment date on the non-fixed fee contract.<sup>4/</sup> The United  
15 States Trustee objects to payment of these fees. The majority of those fees are attributable  
16 to Deloitte & Touche's effort from April to July of 2001, to be employed on the fixed fee  
17 audit contract. The remaining fees were incurred before the effective date of the *nunc pro*  
18 *tunc* order. None of the fees is compensable from the bankruptcy estate. The first category  
19 is not compensable because it should be covered by the fixed fee contract. The second is  
20 not compensable because the firm did not have an employment order authorizing the work,  
21 as required by 11 U.S.C. §§ 330(a) and 327.

22 **Ernst & Young Corporate Finance LLC**

23 **The Firm's Expenses Do Not Comply with the Local Guidelines for Compensation**

24 Ernst & Young's Application does not comply with the *Guidelines for Compensation*  
25 *and Expense Reimbursement of Professionals and Trustees*. The United States Trustee's  
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27 \_\_\_\_\_  
28 <sup>4/</sup> The fees arise in three categories, Engagement /Retention (\$37,347), Transition Property Procedures (\$18,483) and General Bankruptcy (\$315), net of voluntary reductions of \$18,000, for a total of \$38,145. See Martin Declaration. Exhibit "K," page 2.

1 review shows many instances in which the firm charged hundreds of dollars in ground  
2 transportation costs on the same day. The Ernst & Young Application contains many  
3 instances of hotel costs exceeding \$1500. It also contains many meals costing in excess of  
4 \$75.00. Finally, the Application requests reimbursement for many air fares that cost in  
5 excess of \$1,000 to \$2,000.

6 The Guidelines do not permit recovery of parking costs at a principal place of  
7 business (#33). Meals must be “reasonable” and either associated with travel (#35) or  
8 catered in connection with a meeting (#37). In addition, air fare must be billed at regular  
9 coach rates (#36).<sup>5</sup> The United States Trustee requests these categories be disallowed  
10 until Ernst & Young explains them properly.

#### 11 12 Heller, Ehrman, White & McAuliffe LLP

##### 13 Heller Ehrman’s Efforts in the CPUC’s OII Did Not Directly and Principally Benefit the 14 Debtor

15 Heller Ehrman identifies \$174,967 in fees and related expenses attributable to the  
16 CPUC’s Order Instituting Investigation (the “OII”), category 77. According to Heller  
17 Ehrman’s fee application narrative, the work involved “an investigation by the CPUC  
18 regarding certain transactions between PG&E and its parent company, PG&E Corporation.”  
19 Heller Ehrman’s narrative description of the issue is correct only as far as it describes the  
20 original scope of the OII. In April 2001, the CPUC significantly narrowed the question to be  
21 addressed in the OII to the meaning of the “first priority” condition. The CPUC having  
22 limited the issues to the first priority condition, the United States Trustee questions whether  
23 the work Heller Ehrman did on the OII during this reporting period benefitted the estate in  
24 any material respect.

25 According to CPUC’s docket and briefs the United States Trustee attached to the  
26 Request for Judicial Notice, the principal question argued during this period involved PG&E

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28 <sup>5</sup> Contrary to her usual practice of bringing disputes to the court, the United States Trustee did request clarification of these amounts in a letter dated May 24, 2002, but has not received any response to date.

1 Corporation's obligation to advance capital to debtor to discharge its alleged obligation  
2 under the first priority condition. According to a brief drafted and filed by Heller Ehrman, in  
3 April 2001, the assigned CPUC Commissioner limited the initial question in the OII to the  
4 following issue:

5 Under what circumstances, if any, does the "first priority" condition require a  
6 holding company to infuse money into its utility subsidiary?

7 On January 11, 2002, the CPUC mailed its *Interim Opinion on Meaning of First Priority*  
8 *Condition* (the "Interim Opinion") which provided the CPUC's "initial interpretation of the 'first  
9 priority' condition incorporated into the decisions" authorizing the creation of the holding  
10 companies for the public utilities. A copy of the Interim Opinion is attached to the United  
11 States Trustee's Request for Judicial Notice as Exhibit "A." More particularly, the *Interim*  
12 *Opinion* discusses in detail the obligations of PG&E Corporation to provide capital to debtor  
13 to ensure the latter is capable of discharging its obligation to serve. After receiving the  
14 adverse Interim Opinion, Heller Ehrman filed the *Application of Pacific Gas and Electric*  
15 *Company (U39 M) for Rehearing of Decision (02-01-039)* on February 11, 2002 (the  
16 "Application for Rehearing"). A copy of the Application for Rehearing is attached to the  
17 United States Trustee's Request for Judicial Notice as Exhibit "B". The Application for  
18 Rehearing contains extensive argument on issues like the meaning of capital, whether the  
19 parent is responsible for shoring up the utility in view of the CPUC's alleged failure to allow  
20 adequate retail rates and other issues.

21 For example, in the Application for Rehearing, debtor offers extensive arguments in  
22 support of its contention that contributions of capital by the parent, PG&E Corporation, to  
23 the utility (debtor) would be an unconstitutional taking:

24 PG&E operates in a highly regulated environment where such contributions by  
25 shareholders likely would *not* become part of the rate base and would *not* be  
26 entitled to a reasonable rate of return. Requiring the parent company to make  
27 such an uncompensated gift would be particularly unfair where, as here, the  
28 utility's capital was depleted as a result of a regulatory failure to permit  
compensatory rates. While the corporate shareholders might seek to improve  
the capital structure of an "ailing corporation" in the hopes of "returning to  
profitability," that begs the question of why PG&E was ailing here – improper  
rate regulation.

Application for Rehearing 24-25 (emphasis in original).

Careful review of the litigation underlying Heller Ehrman's category 77 shows much of the work benefits PG&E Corporation and only incidentally, if at all, debtor. One would assume debtor, having filed its own chapter 11 case and being a fiduciary for its own creditors, might be at least indifferent to the outcome of the CPUC's investigation into the actions of its parent, particularly regarding the parent's alleged failure to contribute capital. The United States Trustee recognizes, however, there are components of the OII the utility properly should address (such as the alleged failure by the CPUC to rate make properly). Accordingly, the United States Trustee urges the court to reduce the fees in this category by 50%, or \$87,483.

**Howard, Rice, Nemerovski, Canady, Falk & Rabkin**

1. **Howard Rice's Prosecution of the Oft-Revised Disclosure Statement Was Not Efficient and Does Not Merit \$1,141,687 in Legal Fees**

On September 20, 2001, debtor filed its first disclosure statement and plan. Howard Rice seeks a total of \$1,141,687<sup>6</sup> for the November 2001 to March 2002 period for drafting and prosecution of the plan and disclosure statement.

Creditors and other parties in interest filed more than seventy objections to the disclosure statement. Many of the objections raised similar concerns like PG&E's failure to disclose market values of assets and its failure to disclose the nature of litigation expected to be compromised.

Howard Rice's handling of the objections to the disclosure statement was not as efficient as it should have been. The Bankruptcy Court ordered counsel for PG&E to meet and confer with all objecting parties after the December 4, 2001 status conference. In spite of the extensive meet and confers, the Bankruptcy Court and parties endured at least six

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<sup>6</sup> The figure is composed of two categories that are substantially similar, Plan and Disclosure Statement (\$404,805) and Plan Prosecution (\$736,882).

1 further hearings on the disclosure statement.<sup>7</sup> Debtor took a hard line and resisted making  
2 changes to accommodate many of the objections filed.

3 The United States Trustee, among others, objected to debtor's failure to identify the  
4 market value of assets it intended to "spin off" to newly created affiliates. On November 30,  
5 2001, the United States Trustee filed her initial objection on this ground. Both debtor and its  
6 parent strongly resisted making any corresponding change. On December 18, 2001,  
7 counsel for the United States Trustee met and conferred with debtor's counsel Howard Rice  
8 to urge debtor to make changes to the disclosure statement, including another request to  
9 disclose the market value of assets. Debtor did not make the requested change.

10 The Bankruptcy Court expressed fundamental agreement with the United States  
11 Trustee's objection to the market value issue on at least one occasion (January 14, 2002),  
12 and instructed debtor to make a responsive change to the disclosure statement. Rather  
13 than make the change, debtor, its parent (and counsel) continued to argue it was  
14 unnecessary to include information on market value. They argued the issue again at a  
15 hearing on January 25, 2002. The Bankruptcy Court disagreed, and debtor finally  
16 appended several pages of discussion of the market value of the company's assets to the  
17 proposed disclosure statement.

18 Debtor and Howard Rice's unwillingness to amend the document to remedy their  
19 obvious failure to discuss market value was repeated on several other objections the  
20 Bankruptcy Court later sustained. Included among these objections were questions about  
21 the mechanism for setting prices for power post confirmation and the environmental impacts  
22 of the plan. The sheer number of hearings conducted on the disclosure statement suggest  
23 the process was unnecessarily prolonged and too costly. The United States Trustee  
24 objects to debtor and Howard Rice's unnecessarily difficult and often futile opposition to the  
25 filed objections. We recommend a reduction in this category of 20%, or \$228,000.

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28 <sup>7</sup> According to the Bankruptcy Court's docket, hearings took place on January 14, 2002, January 25, 2002,  
February 7, 2002, March 26, 2002, April 11, 2002, and April 24, 2002.

2. Howard Rice's Award Should Be Reduced to Account for Multiple Attorneys  
Appearing at Bankruptcy Court Hearings

Howard Rice sent multiple attorneys to hearings on debtor's proposed disclosure statement. Martin Declaration., Exhibit "S." On both January 14 and January 16, 2002, Howard Rice used nine attorneys to staff the hearings. On January 25, 2002, the firm used eleven attorneys to staff the hearing. The Martin Declaration identifies the other instances of multiple attorneys. Howard Rice does not explain or justify the use of multiple attorneys as it is required to do under the *Guidelines for Compensation and Expense Reimbursement for Professionals and Trustees* (the "Guidelines") (#16).<sup>g/</sup> The United States Trustee requests a reduction \$46,104, as described in Exhibit "S", page 4.

3. Time Spent on Professor's Tribe's Appearance for PG&E's Parent Is Not  
Allowable from This Estate

The United States Trustee identified approximately \$8,805 in time entries attributable to reviewing Professor Tribe's preemption argument or arranging for him to appear *pro hac vice*. PG&E Corporation should be responsible for this work. See Martin Declaration., Exhibit "T." The request should not be allowed.

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<sup>g/</sup> "Multiple Professionals--Professionals should be prepared to explain the need for more than one professional or para-professional from the same firm at the same court hearing, deposition or meeting. Failure to justify this time may result in compensation for only the person with the lowest billing rate."

**Milbank, Tweed, Hadley & McCloy**

1. **Milbank Increased Its Hourly Rates from 3% to 62% Without Prior Notice**

\_\_\_\_\_Milbank increased its hourly rates for numerous professionals since the last hearing on fee applications. Although not specifically identified in the Milbank Application, the United States Trustee believes the new hourly rates are set forth in the footnote below.<sup>9</sup> The increases range from a low of 3% to as high as 62% (associate lawyer Ha). Milbank did not give notice of these increases to the court or parties in interest, and the firm makes no representation that these rates are at least as favorable as Milbank's rates for other clients. It is difficult to believe associates and of counsel lawyers are regularly billed to other clients at \$465 to \$520/hr.

The United States Trustee acknowledges Milbank indicated the possibility its fees might increase in Mr. Aronzon's *Declaration in Support of "Application of OCC for Order Under 11 U.S.C. § 1103 and FRBP 2014 Authorizing Retention and Employment of Milbank et al, etc."* at page 9, lines 19-20, but neither the Application of OCC for Order nor the requested Order Approving Application make any reference to the possibility of an increase. Under the circumstances, the hourly rates should not be adjusted until some notice of the change has been given and appropriate evidence that the rates are the norm.

2. **Milbank Did Not Describe Adequately \$816,345 in Work Entitled "Plan and Disclosure Statement"**

\_\_\_\_\_Milbank seeks \$816,345 in fees attributable to category 14, "Plan and Disclosure Statement." The United States Trustee objects to this category because it contains time spent on disparate topics only slightly related to the drafting of a Plan and Disclosure Statement. Jumbling several tasks into a single category makes it difficult to determine what the categories of work actually cost the estate.

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<sup>9</sup> Professionals are listed by their surname, (old rate/new rate):  
Kramer (\$470/**\$520**), Friedman (\$575/**\$595**), Kreller (\$450/**\$500**), Sorochinsky (\$420/**\$465**), McSpadden (\$415/**\$465**), Urquhard (\$385/**\$425**), Ball (\$295/**\$350**), Neufeld (\$435/**\$465**), Ha (\$200/**\$325**), Schwarz (\$185/**\$205**).

1 The United States Trustee recalculated the time in this category. It is possible to  
2 break the \$816,345 in expenses into several distinct categories:

3	Mediation	\$160,120
4	Preemption Issues	\$154,188
5	CPUC Term Sheet/ Plan	\$70,060
6	PG&E Plan and Disclosure Stmt.	<u>\$431,977</u>
7	Total	<u><u>\$816,345</u></u>

8 Martin Declaration, Exhibit. "L-3". By contrast, Howard Rice broke down its work on the  
9 mediation and the preemption issues separately, making it possible to determine not only  
10 the cost to the estate, but the extent of the effort expended. (Interestingly, it appears the  
11 committee's lawyers, Milbank, spent approximately four times as much on the mediation  
12 effort as debtor's principal lawyers, Howard Rice. Martin Declaration, Exhibit "G-1," page 2.)  
13 Comparisons of this type are difficult to make when the categories of work are not broken  
14 down appropriately.

15 After re-formatting the time entries so they correspond to more precise categories of  
16 work, the fees attributable to Milbank's work on the disclosure statement appear excessive.  
17 The United States Trustee believes Milbank incurred \$431,977 in fees on PG&E's plan and  
18 disclosure statement (or, about one half of the total category Plan and Disclosure  
19 Statement). By way of comparison, Howard Rice seeks at least \$700,000 for purely  
20 disclosure statement work. See Martin Declaration, Exhibit "G."

21 If the United States Trustee recalls correctly, the committee's only response to  
22 PG&E's proposed disclosure statement was a "comment" raising certain discrete issues.  
23 After resolution of committee's comments, the committee might have taken a less involved  
24 role in the disclosure statement process to allow the parties who had substantive objections  
25 to the plan to prosecute them, opposed by the real parties in interest, debtor and PG&E  
26 Corporation. Instead, the committee remained at the forefront of the hearings on the  
27 disclosure statement. The value of the committee's involvement in the extended disclosure  
28 statement process is not immediately clear or established by Milbank's Application.

3. Milbank's \$207,840 "Plan Implementation" Category Contains Numerous Entries Unrelated to Plan Implementation And Should Be Reduced Accordingly

Milbank requests \$207,840 in fees attributable to the plan and regulatory approval process. Careful analysis of the time entries in this category shows a significant proportion of the time is either unrelated to regulatory implementation of the plan or should have been included with other categories.<sup>10/</sup> Many time entries by Mr. Feo, Mr. McSpadden and Mr. Ha show extensive work on preemption issues. These entries are not discussed in the narrative. Milbank included most of the fees for preemption work in the category "Plan and Disclosure Statement," discussed above. Other entries include time spent reviewing the CPUC plan, reviewing mediation materials and discussing "city and county issues," none of which bears any relation to the title "Plan Implementation" or is discussed in the accompanying narrative. The United States Trustee urges this category be reduced by 20%, or \$41,568, to account for unexplained time entries with no obvious (or explained) relation to the category "Plan Implementation."

**PricewaterhouseCoopers LLP**

PricewaterhouseCoopers Billed Approximately \$42,000 to the Estate for Copying Costs Incurred Serving Its Time Records On All Parties

\_\_\_\_ On all prior applications, PricewaterhouseCoopers LLP has served copies of its time records on every party on the special notice list. The firm does not appear to have billed the estate for the effort.<sup>11/</sup> PricewaterhouseCoopers billed the estate approximately \$42,000 this reporting period for costs incurred sending out its bills to interested parties. The United States Trustee objects to any payment for these costs. The *Second Amended Order*

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<sup>10/</sup> See time entries for Mr. Feo dated 2/04/2002, 2/19/2002, 3/8/2002, 3/29/2002, Mr. Kramer for 1/14/2002, 2/9/2002, Mr. McSpadden for 1/3/2002, 1/10/2002, 1/11/2002, 1/15/2002, 1/16/2002, 1/23/2002, 1/25/2002, 12/4/2001, 12/5/2001, 12/7/2001, 12/10/2001, 12/11/2001, and Mr. Ha, *passim*. The time entries are attached to the Martin Declaration. as Exhibit "U."

<sup>11/</sup> The United States Trustee has reminded PricewaterhouseCoopers serving time records is not required but has not objected in the past because the estate has never been billed for the related expenses.

1 *Establishing Interim Fee Application and Expense Reimbursement Procedures* ¶ 6-7 does  
2 not require firms to serve copies of their time notes on parties. Rather, counsel for debtor,  
3 Howard Rice, sends a multi-page notice of all fee applications to parties on the special  
4 notice list 40 days prior to the hearing date. Accordingly, the Bankruptcy Court should not  
5 authorize any payment of these costs.

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7 **Skadden, Arps, Slate, Meagher & Flom LLP**

8 1. Clerical Time of Legal Assistants Should Only Be Compensated at \$40.00/hr

9 Previously the Court limited the hourly rate to \$40/hr for clerical time of legal  
10 assistants. Professional firms are entitled to seek compensation for paralegal fees at a  
11 non-clerical rate if the firm proves a lawyer would have performed the services but for the  
12 paraprofessional's work, the paraprofessional has specialized training, and the application  
13 contains a resume showing the training. Skadden seeks compensation of \$29,558 for  
14 250.9 hours of paralegal time. Skadden does not appear to have submitted any evidence  
15 its paralegals have specialized training or experience. The United States Trustee's review  
16 suggests 166.8 hours incurred by Skadden's paraprofessionals is clerical in nature. Most of  
17 these entries consist of proofreading, creating indices of pleadings and updating files. The  
18 United States Trustee suggests a reduction of \$12,983.50<sup>12/</sup> to limit the hourly rate to \$40/hr.

19 2. Compensation For Time Spent Preparing Fee Applications Should Be  
20 Reduced by \$15,000

21 Compensation awarded for the preparation of a fee application is based on the level  
22 and skill reasonably required to prepare the application. 11 U.S.C. § 330(6). Skadden  
23 seeks compensation of \$42,946.50 for 124.70 hours in the preparation of a monthly cover  
24 sheet fee applications and the its Third Interim Application. However, Skadden did not  
25 submit the required statement indicating the absence of payments or promises of  
26 compensation from sources other than the estate. In addition, Skadden did not submit a  
27 statement asserting that the application was sent to the Debtor with a client review letter in

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<sup>12/</sup> Martin Declaration, Exhibit "V."

1 the form required by item 7 of the Court's Guidelines. Finally, Skadden did not provide an  
2 adequate explanation for the extensive time spent on the monthly cover sheets. Skadden  
3 should create a separate category for the preparation of fee applications instead of just  
4 including the information in a footnote. The United States Trustee suggests a reduction in  
5 the amount of \$5,000 even though the amount requested is modest as a percentage of the  
6 total fees requested to date.

7 Dated: June 12, 2002

8 Patricia A. Cutler  
9 Assistant United States Trustee

10 By: \_\_\_\_\_  
11 Stephen L. Johnson

12 Attorneys for United States Trustee  
13 Linda Ekstrom Stanley  
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